

News Release

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S&P Global Taiwan Manufacturing PMI[®]

Growth sustained, but at slower pace in August

Key findings

Output and new orders both rise to softer degrees

Employment little changed as firms focus on productivity gains

Confidence at lowest level in year-to-date

The performance of Taiwan's manufacturing economy continued to improve during August, but only modestly as growth rates for output and new orders softened since July. Employment was also little changed, whilst confidence in the outlook fell to an eight-month low. Meanwhile, shipping delays were reported to have led to another lengthening of lead times and also helped to explain the fastest accumulation of warehouse inventories for nearly two-and-a-half years.

The S&P Global Taiwan Manufacturing Purchasing Managers' Index™ (PMI[®]), which is adjusted for seasonal influences, remained above the crucial 50.0 no-change mark for a fifth month in a row during August. That signalled a further improvement in manufacturing operating conditions. However, a drop in the index to 51.5, from July's 52.9, pointed to the weakest growth for three months.

Underlying the weaker improvement in operating conditions was a noticeable slowdown in output growth. Production continued to increase, but only marginally and to the weakest degree in the current five-month run of expansion. This in part reflected a weaker growth profile for new orders, although firms did report that demand remained positive and had helped to support a solid increase in sales overall. New orders increased from both domestic and international sources, with demand up in key Asian, European and North American markets. Overall, new export sales rose to the highest degree for two-and-a-half years.

Panellists reported difficulties in distributing their completed orders in August amid reports of global shipping delays. This led to the unexpected build-up of warehouse inventories, with growth reaching its highest level since March 2022. It was third time in the past five months that a rise in stocks of finished goods has been reported.

Delivery delays were also reported for ordered inputs. Latest data showed a fourth successive monthly deterioration in

S&P Global Taiwan Manufacturing PMI
sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 12-21 August 2024.

Comment

Paul Smith, Economics Director at S&P Global Market Intelligence, said:

"Taiwan's manufacturing economy continued to grow during August, extending the current period of expansion to five months. However, the rate of growth fell, largely due to a considerable weakening in production gains. Firms appeared to be somewhat capacity constrained, but still preferred to focus on raising productivity rather than adding to their workforce numbers. The result was another noticeable rise in backlogs of work.

"That said, demand growth also softened, though largely from domestic sources as new export sales rose to the best degree for two-and-a-half years. Firms nonetheless still signalled some concern over the global economic outlook, a factor that was instrumental in pushing down broader sentiment to its lowest level of the year so far."

PMI[®]

by S&P Global

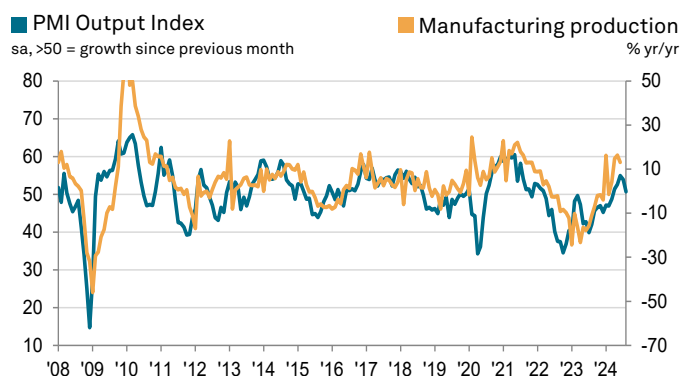
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vendor performance, albeit to the softest degree since May. Companies commented on product and labour shortages, plus general shipping challenges, as reasons for the latest worsening of lead times. Firms subsequently leant on existing stocks of purchases wherever possible, leading to a second successive monthly drop in input inventories.

Input cost pressures persisted during August amid reports of a general increase in raw material prices. Although remaining above its long-term trend level, input price inflation dropped to its weakest since April. Companies sought to pass on their higher costs to clients wherever possible, although market competition somewhat restricted pricing power. Output charges subsequently rose, but to the softest degree for three months.

Firms continued to focus on strengthening plant productivity in August and consequently left employment numbers broadly unchanged for a second month in a row. However, such polices were not wholly successful, with backlogs of work increasing solidly and for the fourth month running.

Finally, looking ahead to the coming 12 months, confidence was noticeably down. Cost pressures and some concerns over the economic outlook weighed on sentiment. Where growth is forecast, firms expect that a continued focus on productivity plus demand growth will help to yield higher output.



Sources: S&P Global PMI, National Statistics via S&P Global Market Intelligence

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Survey methodology

The S&P Global Taiwan Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 2004.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. www.spglobal.com/marketintelligence/en/mi/products/pmi